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INFO USMISSION OECD PARIS

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C O N F I D E N T I A L SECTION 1 OF 3 BRASILIA 1859

E.O. 11652: GDS
TAGS: EGKEN, CIEC, BR
SUBJECT: BRAZIL IN CIEC

REF: (A) BRASILIA 868 (NOTAL) (B) STATE 20560

1. SUMMARY: BRAZIL'S ECONOMIC PROBLEMS AND STRENGTH GIVE IT AVITAL STAKE IN THE OUTCOME OF CIEC. BRAZIL NEEDS TANGIBLE RESULTS, AND SOON, TO HELP ALLEVIATE ITS BALANCE OF PAMENTS CRISIS. IN ITS OVERALL POLICIES, BRAZIL HAS GIVEN TOP PRIORITY TO EXPANDING EXPORTS AND IMPORT-SUBSTITUTION, TO OBTAINING MORE LONG-TERM FINANCING, AND TO ENHANCING BRAZIL'S LONG-TERM ECONOMIC SECURITY, (I.E., REDUCING EXTERNAL VULNER-
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ABILITY). THESE PRIORITIES ARE REFLECTED IN BRAZIL'S GENERAL GOAL IN CIEC--A GREATER DC COMMITMENT TO HELP SOLVE THE PROBLEMS OF INTERMEDIATE COUNTRIES LIKE BRAZIL--AND IN BRAZIL'S MAIN SPECIFIC GOALS IN CIEC: (A) LONG-TERM OIL SUPPLY ACCESS, (B) BETTER LONG-TERM FINANCING MECHANISMS, (C)MORE SECURE AND REMUNERATIVE COMMODITY EXPORT ARRANGEMENTS, AND(D) EXPANDED LDC DECISION-MAKING ROLES IN INTERNATIONAL ECONOMIC BODIES, WHICH BRAZIL

HOPES WILL LEAD TO A REDISTRIBUTION OF WORLD ECONOMIC POWER. SEEING THE PRESENT WORLD ORDER AS SHAPELESS, BRAZIL BELIEVES THE KEYS TO CIEC'S SUCCESS WILL BE US LEADERSHIP AND THE WILLINGNESS OF DC'S AND OPEC TO COME TO TERMS. BRAZIL HAS, HOWEVER, ONLY SLIGHTLY MORE HOPE FOR SOLUTIONS IN CIEC THAN IN OTHER MULTILATERAL BODIES. AS AN EMERGING MIDDLE-POWER, BRAZIL SHARES MANY DC INTERESTS. FOR THIS AND OTHER REASONS OF SELF-INTEREST, BRAZIL HAS ESCHEWED PRODUCERS ASSOCIATIONS. THE ECONOMIC AND POLITICAL ADVANTAGES OF ASSOCIATION WITH THE LDCS, HOWEVER, PROBABLY MEAN THAT BRAZIL WILL AVOID BREAKING WITH THE OPEC/LDC CAMP WITHIN THE TIME HORIZON OF CIEC, EVEN THOUGH BRAZIL IS BECOMING MORE DISILLUSIONED WITH OPEC AND THE LACK OF PRAGMATISM IN THE OPEC/LDC CAMP.

END SUMMARY.

2. THE FOLLOWING ANALYSIS DISCUSSES BRAZIL'S EXPECTATION FOR, AND PROBABLE ROLE IN CIEC. TO SET THE BACKGROUND FOR THE ANALYSIS, WE FIRST DISCUSS BRAZIL'S MAJOR ECONOMIC PROBLEMS AND THEIR IMPLICATIONS FOR BRAZIL'S FOREIGN ECONOMIC POLICY, WHICH WILL GUIDE BRAZIL'S POSITIONS IN CIEC.

3. BRAZIL'S ECONOMIC PROBLEMS. HIGH OIL PRICES, A TERMS-OF-TRADE DECLINE, HARD WEATHER, AND ZERO REAL EXPORT GROWTH LAST YEAR HAVE IMPACTED HARD ON BRAZIL'S RELATIVELY OPEN ECONOMIC MODEL. AS A RESULT, GROWTH IN 1975 FELL TO 4.2 PERCENT (VERSUS THE 10 PERCENT PACE EARLIER) AND BRAZIL ENDED UP WITH THE LARGEST CURRENT ACCOUNT DEFICIT IN THE DEVELOPING WORLD. THE GEISEL ADMINISTRATION REACTED BY SPURRING COSTLY BUT NECESSARY INDUSTRIAL AND TRANSPORTATION REALIGNMENT AND BY RESORTING TO IMPORT-RESTRICTING, IMPORT-SUBSTITUTING, AND EXPORT-CONFIDENTIAL

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INCENTIVATING POLICIES. THE IMPACT OF WORLD RECESSION AND CURRENCY OVERVALUATION HAS LED MANY KEY EXPORTING SECTORS TO STEP UP THEIR CAMPAIGN FOR MORE EXPORT INCENTIVES. THE POOR OUTLOOK FOR REAL EXPORT GROWTH AND THE IMPACT OF IMPORT RESTRICTIONS HAVE GIVEN RISE TO PESSIMISM AND CONFUSED EXPECTATIONS ABOUT WHAT IS TO COME. ON THE BRIGHT SIDE, FOREIGN EXCHANGE RESERVES ARE STILL REASONABLY HIGH, INVESTMENT REMAINS STRONG (GROSS INVESTMENT WAS 27 PERCENT OF GDP LAST YEAR), AND PRODUCTION AND SALES ARE FIRM. TO ESCAPE FROM THE ECONOMIC AND BALANCE-OF-PAYMENTS CRISIS, BRAZIL IS COUNTING ON DC RECOVERY TO INCREASE EXPORT DEMAND, THE TERMS-OF-TRADE, AND THE FLOW OF FOREIGN CAPITAL, AND ON THE MATURATION OF BRAZIL'S INVESTMENT PROGRAMS IN THE PRIORITY EXPORT AND IMPORT-SUBSTITUTING INDUSTRIES.

4. FOREIGN ECONOMIC POLICY. BRAZIL HAS GIVEN TOP FOREIGN POLICY PRIORITY TO EXPANDED MARKETS AND BETTER TERMS FOR EXPORTS, TO IMPROVING THE FLOW OF FOREIGN CAPITAL AND TECHNOLOGY, AND TO ENHANCING BRAZIL'S LONG-TERM ECONOMIC SECURITY (I.E., REDUCING VULNERABILITY TO INTERNATIONAL ECONOMIC DEVELOPMENTS BEYOND BRAZIL'S CONTROL). IN THE MULTILATERAL FORUMS BRAZIL HAS PURSUED THESE AIMS THROUGH PROPOSALS IN GATT FOR DIFFERENTIAL LDC TREATMENT AND LEGITIMIZATION OF EXPORT SUBSIDIES, SUPPORT FOR COMMODITY AGREEMENTS AND GREATER IFI FINANCING, AND INITIATIVES IN THE UN AND OAS FOR COLLECTIVE ECONOMIC SECURITY. BRAZIL IS FRUSTRATED, HOWEVER, THAT WORK IN MULTILATERAL BODIES BEARS FRUIT SLOWLY IN THE ABSENCE OF GREATER DC POLITICAL WILL. THUS THE GOB HAS CALLED FOR A REVISION OF THE "NORMATIVE FRAMEWORK" FOR INTERNATIONAL RELATIONS. IN THE GOB'S VIEW, THE REVISION IS NEEDED TO ELIMINATE THE "GAP" BETWEEN DC AND LDC DECISION-MAKING IN INTERNATIONAL ECONOMIC BODIES, WHICH BRAZIL HOPES WILL LEAD TO A REDISTRIBUTION OF WORLD ECONOMIC POWER AND WEALTH. THE REVISION WOULD DEFINE FAVORABLE GROUND RULES, IN BRAZIL'S VIEW, FOR THE PRESENT SHAPELESS AND EVOLVING WORLD ECONOMIC ORDER. THIS STEP WOULD HELP TO MOVE THE WORLD AWAY FROM "VERTICAL INTERDEPENDENCE" AND TOWARD "HORIZONTAL INTERDEPENDENCE", WHICH BRAZIL SEES AS THE REAL MEANING OF A NEW INTERNATIONAL ECONOMIC ORDER AND AS THE REAL HOPE FOR AN EMERGING MIDDLE-POWER LIKE BRAZIL TO GAIN WORLD

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5. TO THIS END, FOREIGN MINISTER SILVEIRA PROPOSED AT UNGA-7SS THE NEGOTIATION OF AN OVER-ARCHING NORTH-SOUTH TRADE AGREEMENT IN WHICH DCS AND LDCS WOULD MAKE RECIPROCAL CONCESSIONS, THOUGH UNEQUAL. THIS LEGALISTIC CONCEPT OF A MUTUALLY-BINDING AGREEMENT WITH CONCESSIONS ON BOTH SIDES IS CONSISTENT WITH BRAZIL'S BELIEF THAT CLEARER GROUND RULES PERMITTING INCREASED LDC SELF-RELIANCE IS THE BEST WAY TO ACHIEVE HORIZONTAL INTERDEPENDENCE. LESS COMPREHENSIVE OR NON-BINDING MEASURES MAKE ONLY FOR GREATER LDC VULNERABILITY IN THE BRAZILIAN VIEW. ALTHOUGH THE NORTH-SOUTH AGREEMENT PROPOSAL DIED HUMILIATINGLY IN THE 30TH UNGA, THE GOB (OR AT LEAST THE FOREIGN MINISTRY) STILL PROFFESSES FAITH (INCORPORATING A GOOD DEAL OF FACE-SAVING) IN THE IDEA: BRAZIL'S AMBASSADOR TO THE MTN (MACIEL)
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TOLD THE G-77 MEETING IN MANILA THAT THE WORK IN UNCTAD, GATT, AND CIEC "SHOULD CULMINATE IN THE ADOPTION OF ADEQUATE GROUND-RULES AND PROCEDURES FOR THE NEGOTIATION OF A NORTH-SOUTH TRADE AGREEMENT AIMED AT ESTABLISHING THE RULES OF THE GAME" FOR DC-LDC TRADE.

6. BRAZIL'S THIRD WORLDISM AND PRO-ARAB POLICIES HAVE DRAWN SOME CRITICISM. SOME GOVERNMENT ECONOMISTS THINK BRAZIL (UNDER THE FOREIGN MINISTRY'S LEADERSHIP) IS WASTING ITS TIME COURTING THE THIRD WORLD WHEN THE FIRST WORLD HAS THE MARKETS, CAPITAL, AND TECHNOLOGY BRAZIL NEEDS; ONLY A TRICKLE OF PETRODOLLARS HAS BEEN DIRECTLY INVESTED IN BRAZIL AND HOPES FOR SPECIAL OIL PRICES ARE UNMET.

7. ROLE IN CIEC. BRAZIL SEES CIEC AS ANOTHER AND MORE PROMISING FORUM FOR PUTTING PRESSURE ON THE DC'S FOR POLITICAL COMMITMENTS TO LDC DEMANDS. THE GOB SEEMS TO BELIEVE THAT THE WORLD ECONOMIC CRISIS AND LDC PRESSURE MAY SOFTEN THE DC'S UP. THIS PERCEPTION, COMBINED WITH A VIEW OF CIEC AS MORE MANAGEABLE THAN UNGA OR UNCTAD, HAS GIVEN RISE TO A MODEST OPTIMISM FOR CIEC. THE GREATER MANAGEABILITY OF CIEC IS SEEN, HOWEVER, AS LESS CRITICAL TO CIEC'S SUCCESS THAN A NEW FORTH-

COMING DC COMMITMENT TO LDC AIMS.

8. BRAZIL PROBABLY WILL TAKE ONLY A MODEST LEADERSHIP ROLE, IF ANY, IN CIEC. LACKING POLITICAL LUSTRE AND IDEOLOGICAL COMMITMENT (DESPITE ITS PROFESSIONS OF A THIRD WORLDIST FOREIGN POLICY STANCE), BRAZIL IS MISTRUSTED BY MOST LDC'S. THESE COUNTRIES FEAR THAT BRAZIL WOULD OPT FOR ITS DIRECT INTERESTS OVER ITS THIRD WORLD COMMITMENT IF CONFLICTS AROSE. FOR INSTANCE, BRAZIL NOT LONG AGO DECLINED (OVER THE OBJECTIONS OF THE FOREIGN MINISTRY WE UNDERSTAND) TO JOIN THE IRON ORE PRODUCERS ASSOCIATION. THE REASON WAS THAT BRAZIL HOPES TO INCREASE ITS MARKET SHARE, NOT CONSTRAIN IT. FACED WITH MISTRUST (INCLUDING IN LATIN AMERICA), BRAZIL RARELY LEADS LDCS IN MULTILATERAL FORUMS (LOS IS ONE EXCEPTION). ANOTHER REASON FOR BRAZILIAN RELUCTANCE TO LEAD IS THAT BRAZIL GENUINELY SEES NON-OIL LDCS AS RELATIVELY UNINFLUENTIAL IN CIEC. BRAZIL BELIEVES US LEADERSHIP, AND DC AND OPEC WILLINGNESS TO COME TO TERMS, ARE THE KEYS TO A SUCCESSFUL OUTCOME IN CIEC.

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9. ENERGY COMMISSION (ENC). BRAZIL'S MAIN OBJECTIVE IN THE ENC IS TO OBTAIN ASSURED OIL SUPPLIES, AN OBJECTIVE OF ECONOMIC SECURITY. BRAZIL DOES NOT WANT A LACK OF ENERGY TO BECOME A BRAKE ON BRAZIL'S GROWTH. ENERGY STRATEGY REFLECTS THIS MOTIVATION (REF A, PARA. 6). ACCESS TO FOREIGN OIL SUPPLIES IS THE MOST VULNERABLE PART IN THIS STRATEGY, AND THIS IS WHY IT IS A PRIORITY IN CIEC. OTHER PARTS OF THE STRATEGY (FOR INSTANCE THE DEVELOPMENT OF NUCLEAR, HYDROELECTRIC, AND DOMESTIC OIL SOURCES) ARE THINGS WHICH THE GOB BELIEVES IT CAN HANDLE BY ITSELF OR BILATERALLY WITH OTHER COUNTRIES. GOB OFFICIALS DOUBT THAT CIEC CAN RESULT IN LOWER OIL PRICES, ALTHOUGH THEY STILL HOPE FAINTLY THAT OPEC WILL GRANT SPECIAL PRICES OR PREFERENTIAL TERMS TO NON-OIL LDCS. BUT BRAZILIAN UNHAPPINESS SOMETIMES SHOWS THROUGH. PANNING MINISTER VELLOSO HAS PUBLICLY CRITICIZED OPEC PRICES AS HIGHLY DAMAGING TO NON-OIL LDCS AND TUMULTUOUS FOR THE WORLD ECONOMY. EXPRESSING WHAT SEEMS TO BE THE VIEW OF MOST GOB OFFICIALS, THE SECRETARY GENERAL OF THE MINISTRY OF MINES AND ENERGY TOLD US HE BELIEVES OPEC WILL CONTINUE TO SET HIGH OIL PRICES REGARDLESS OF CIEC. GOB OFFICIALS RECOGNIZE, HOWEVER, THAT DEVELOPMENTS LAST YEAR IN THE WORLD PETROLEUM MARKET (E.G., DECLINING OIL REVENUES, OPEC ARGUMENTS OVER PRICES AND PRICE SHAVING) CAUSED STRAINS IN OPEC. THUS BRAZIL PROBABLY SUPPORTS THE US IDEA THAT THE ENC STUDY THE PETROLEUM MARKET WITH THE AIM OF ASCERTAINING WHETHER TODAY'S PRICES ARE TOO HIGH. THERE IS SOME DOUBT, HOWEVER, WHETHER OBJECTIVE STUDY ALONE CAN PROVE THAT CURRENT PRICES ARE UNSUSTAINABLE, EVEN THOUGH IT MIGHT SHOW THAT PRICES ARE SUB-OPTIMALLY HIGH FROM OPEC'S

STANDPOINT AS WELL AS FROM THE CONSUMERS' STANDPOINT.
THE DEVELOPMENT OF ALTERNATIVE ENERGY SOURCES IS A HIGH
BRAZILIAN PRIORITY, THUS BRAZIL WOULD SUPPORT PROPOSALS IN
THE ENC FOR TECHNICAL ASSISTANCE AND RESEARCH COOPERATION IN
THIS FIELD.

10. FINANCE COMMISSION (FNC). BRAZIL'S MAIN GOAL IN THE
FNC IS THE IMPROVEMENT OF LONG-TERM FINANCING MECHANISMS,
OFFICIAL AND PRIVATE, WHICH SERVE INTERMEDIATE COUNTRIES
LIKE BRAZIL. OF ALL THE POSSIBLE OBJECTIVES IN CIEC
THIS HAS THE MOST URGENCY FOR BRAZIL, WHICH IS BEGINNING TO
STRAIN ITS BORROWING CAPACITY TO FINANCE ITS CURRENT ACCOUNT
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DEFICIT. BRAZIL, ACCORDING TO AMB. MACIEL, BELIEVES THAT THE
VOLUME OF RESOURCES FROM DCS IS INSUFFICIENT, THAT TERMS AND
CONDITIONS ARE HARD, THAT TRANSFER MECHANISMS ARE TOO SLOW,
AND THAT THE DEGREE OF CONCESSIONALITY IS INADEQUATELY
DEFINED. BRAZIL STRONGLY SUPPORTS A SUBSTANTIAL EXPANSION
OF EXISTING IFI RESOURCES RATHER THAN THE CREATION OF NEW
MECHANISMS WHICH PROBABLY WOULD LACK SUFFICIENT RESOURCES.
TO MAKE IFI'S WORK BETTER, BRAZIL BELIEVES LDCS MUST PARTICIPATE
ACTIVELY IN DECISION-MAKING IN ORDER TO PROTECT ITS INTERESTS
FROM "DISCRIMINATORY" ALLOCATION OF RESOURCES (E.G., EXCESSIVE
FAVORITISM FOR MSA BORROWERS, ALLOCATION OF MOST NEW SDRS TO
DCS). THEREFORE, TO IMPROVE THE FLOW OF OFFICIAL RESOURCES,
IT IS LIKELY THAT BRAZIL WILL WORK IN CIEC: (A) TO PRESSURE DCS
INTO GREATER RESOURCE COMMITMENTS, AND (B) TO ENCOURAGE
AN EXPRESSION OF POLITICAL WILL IN CIEC THAT IFI DECISION-
MAKING POWER BE REDISTRIBUTED IN FAVOR OF LDCS.

11. REGARDING PRIVATE CAPITAL MARKETS, BRAZIL MIGHT SEEK
IN CIEC TWO OBJECTIVES ENUNCIATED BY AMB. MACIEL: DC
COMMITMENTS FOR BETTER TREATMENT OF LDC BONDS IN DC
FINANCIAL MARKETS, AND FOR THE PROGRESSIVE EXEMPTION OF LDCS
FROM MEASURES THAT RESTRICT DC CAPITAL EXPORTS. AS FOR
SAUDI DEMANDS THAT "COMMERCIAL RISK GUARANTEES" BE GIVEN
TO OPEC INVESTMENTS IN PRIVATE CAPITAL MARKETS, BRAZIL HAS NO
SYMPATHY.

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12. RAW MATERIALS COMMISSION (RMC). ALTHOUGH NOT A MEMBER OF THE RMC, BRAZIL BELIEVES IT IS TOO IMPORTANT TO BE IGNORED IN ANY INITIATIVES THE RMC WOULD TAKE. AS A PRODUCER, BRAZIL IS A MAJOR EXPORTER OF SOYBEANS, SUGAR, COFFEE, IRON ORE, COCOA, AND MANGANESE, AND POTENTIAL EXPORTER OF BAUXITE, NICKEL, AND PHOSPHATES; AS A CONSUMER, BRAZIL IS A MAJOR IMPORTER OF COPPER, ALUMINUM, METALLURGICAL COAL, AND NICKEL. BRAZIL'S QUEST FOR ECONOMIC EXPANSION AND SECURITY IS NOWHERE GREATER THAN IN THE RAW MATERIALS AREA. EXPANDED RAW MATERIALS FINANCING, ELIMINATION OF OBSTACLES TO EXPORTS (E.E., EC MEAT RESTRICTIONS), COMMODITY AGREEMENTS, AND PRICE AND EARNINGS STABILIZATION ARE BRAZILIAN PRIORITIES. THE GOB ALSO TENDS TO SUPPORT
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PRICE INDEXATION BUT MANY GOB OFFICIALS HAVE DOUBTS ABOUT THE BENEFITS OF INDEXATION IN THE UNCERTAIN LONG-RUN. BRAZILIANS FAIL TO UNDERSTAND PAST US RELUCTANCE TO ENTER INTO COMMODITY AGREEMENTS. THEY BELIEVE AGREEMENTS BENEFIT CONSUMERS THROUGH A TRADE OFF OF HIGHER COSTS FOR ASSURED SUPPLY AT MORE STABLE PRICES; AND, FROM THE PRODUCER STAND-POINT, AGREEMENTS PROVIDE LDC PRODUCERS ASSURED MARKETS AT STABLE, REMUNERATIVE PRICES, AND ENABLE PRODUCING COUNTRIES TO REGAIN MARKET POWER LOST WHEN MANY LDC PRODUCERS HAVE TO SELL THEIR PRODUCTS TO A FEW POWERFUL MULTINATIONALS (THE LATTER HAS EMERGED AS A POLITICAL ISSUE IN BRAZIL WITH RESPECT TO THE SALE OF CERTAIN AGRICULTURAL PRODUCTS).

THEREFORE, BRAZIL CAN BE EXPECTED TO USE ITS INFLUENCE WITHIN THE G-19 TO OBTAIN A POLITICAL COMMITMENT FROM THE DCS FOR MORE AGREEMENTS. IN ADDITION, BRAZIL WOULD STRONGLY SUPPORT AN ENUNCIATION OF GENERAL PRINCIPLES TO WHICH EVERY COMMODITY AGREEMENT SHOULD CONFORM. THE BRAZILIANS CONSIDER THE LATTER OBJECTIVE NOBLE BUT UNLIKELY IN VIEW OF DC RESISTANCE. DISAPPOINTED WITH UNCTAD'S WORK ON COMMODITIES, BRAZIL HOPES THAT DC COMMITMENT AND LDC REASONABLENESS WILL BRING TANGIBLE RESULTS IN THE RMC. THIS COULD BE OF MORE LONG-TERM BENEFIT TO BRAZIL THAN ANY OTHER CIEC RESULT.

13. BRAZIL IS THE LARGEST LDC MATERIALS EXPORTER BELONGING TO NO PRODUCERS-ONLY ASSOCIATIONS. AS AN EXPANDING PRODUCER NEEDING FOREIGN INVESTMENT TO DEVELOP ITS MATERIALS, AND AS A LARGE IMPORTER OF MATERIALS, BRAZIL BELIEVES ITS INTERESTS AT PRESENT ARE BEST SERVED IN PRODUCER-CONSUMER FORUMS AND AGREEMENTS. THIS COULD CHANGE. IN THE LONGER RUN, AS BRAZIL GAINS MATURITY IN THE PRODUCTION OF IRON ORE, BAUXITE, OR OTHER MINERALAS, BRAZIL COULD PERCEIVE ITS INTERESTS DIFFERENTLY. EVEN IN THE SHORT RUN A FRUSTRATION WITH PRODUCER-CONSUMER FORUMS OR WITH THE LACK OF DC COMMENTMENT TO COMMODITY AGREEMENTS COULD LEAD BRAZIL TO LOOK WITH GREATER FAVOR ON PRODUCERS ORGANIZATIONS.

14. BRAZIL AND THE LDC CAMP. WILL BRAZIL'S TIES TO THE LDC CAMP IN CIEC ERODE DURING CIEC'S TIME HORIZON? WE JUDGE THAT THERE WILL BE ONLY A LIMITED EROSION, CONSTRAINED BY CONTINUING BRASILIAN INTEREST IN THE BARGAINING POWER AFFORDED

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BY MEMBERSHIP IN THE LDC GROUPING. WHATEVER EROSION OCCURS WILL BE SPURRED MAINLY BY: (A) BRAZIL'S FRUSTRATION WITH THE CONFUSION AND LACK OF PRAGMATISM IN THE G-19, (B) THE VIEW THAT HIGH OIL PRICES HAVE GREATLY HARMED BRAZIL, (C) THE POLITICAL AND ECONOMIC URGENCY FOR TANGIBLE MEASURES TO HELP ALLEVIATE BRAZIL'S ECONOMIC DIFFICULTIES, AND (D) FURTHER DISILLUSIONMENT WITH OPEC. WE WOULD STRESS, HOWEVER, THAT WHATEVER BRAZIL'S SHORT AND LONG-TERM INTERESTS IN ASSOCIATING ITSELF WITH CERTAIN DC POSITIONS, BRAZIL IS UNLIKELY TO BREAK FROM LDC CONSENSUS WITHIN THE TIME HORIZON OF CIEC. THE MAIN REASON IS THAT IS REMAINS POLITICALLY AND ECONOMICALLY ADVANTAGEOUS FOR BRAZIL TO STAY IN THE LDC CAMP AND PUSH FOR BENEFITS (E.G., TRADE, COMMODITY, FINANCING) THAT BRAZIL THINKS IT WOULD BE LESS LIKELY TO RECEIVE AS A NON-LDC.

15. BRAZILIAN DELEGATES MAY INTERVENE HELPFULLY IN COMMISSION DISCUSSIONS, EXPRESS MODERATE VIEWS WITHIN THE G-19, AND TRY TO PLAY CONCILIATING AND MEDIATING ROLES.

BUT BRAZIL IS HIGHLY UNLIKELY TO OPPOSE PUBLICLY A POSITION TAKEN BY AN OTHERWISE UNITED LDC BLOC. IF SPLITS WERE TO OCCUR IN THE LDC GROUP, BRAZIL PROBABLY WOULD JOIN THE MORE MODERATE GROUP IF THIS WERE CONSISTENT WITH BRAZIL'S DIRECT INTERESTS. WE WOULD ENVISION THIS POSSIBILITY AS BEING MOST LIKELY FOR SUCH QUESTIONS AS: WHAT ISSUES SHOULD BE GIVEN PRIORITY ATTENTION IN CIEC, WHETHER THE LDCS SHOULD WORK FOR MODERATE ACHIEVABLE SOLUTIONS IN PREFERENCE TO UNREALIZABLE GRANDIOSE SCHEMES, OR HOW TO RESPOND TO SAUDI ENTHUSIASM FOR GUARANTEES FOR OPEC INVESTMENTS ABROAD.
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